

PUBLIC DISCLOSURE

July 28, 2008

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Bath Savings Institution
17749**

**105 Front Street
Bath, Maine 04530**

**Federal Deposit Insurance Corporation
15 Braintree Hill Office Park
Braintree, Massachusetts 02184**

NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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**INSTITUTION'S CRA RATING: This institution is rated Outstanding.
The Lending Test is rated: Satisfactory.
The Community Development Test is rated: Outstanding.**

An institution in this group has an outstanding record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

The assigned rating is based on the results of two performance tests: the Lending Test and the Community Development Test. The bank achieved satisfactory performance under the Lending Test and outstanding performance under the Community Development Test. A summary of the bank's overall performance is provided below:

Lending Test

- The average loan-to-deposit ratio (LTD), at approximately 93 percent, is considered more than reasonable given the institution's size, financial condition, and assessment area credit needs. The trend has been positive and the current ratio is almost 99 percent.
- A majority of the bank's home mortgage and small business loans were extended within the assessment area. While the number of home mortgage loans and corresponding percentage in the assessment area declined, it is important to note that the bank still achieved very good market ranks. BSI was the top local lender and significantly outperformed the similarly situated financial institution. The decline in home mortgage loans is indicative of the competitive nature of the assessment area, but also the demographic and economic constraints of the area. The bank's small business lending activity also reflected a positive trend, as the number of loans and dollar amount within the assessment area increased from 2006 to 2007. Despite the bank's emphasis on residential mortgages, BSI is considered an active small business lender in its assessment area.
- The geographic distribution of loans reflects a reasonable dispersion throughout the assessment area. The bank's percentage of both mortgage and small business loans in the area's moderate-income geographies was consistent with the aggregate's lending performance and/or business demographic data. BSI achieved market share rankings in 2006 and 2007 of 3rd and 12th, respectively in the origination of home mortgage loans. Given the competitive nature of the assessment area, this performance is considered good. It should be noted that BSI was the top local lender, and was only outperformed by large national banks and mortgage companies. Finally, it is further important to note that a

review of the bank's lending activity revealed no conspicuous lending gaps within the assessment area.

- The distribution of borrowers reflects, given the demographics of the assessment area, excellent penetration among individuals of different income levels and businesses of different sizes. In 2006, the bank exceeded the aggregate lending to both low- and moderate-income (LMI) borrowers and achieved a market rank of 2nd in lending to LMI borrowers. A review of the 2007 market ranks revealed that BSI again ranked 2nd to LMI borrowers. The bank was the top local lender and significantly surpassed the similarly situated bank. In 2006 and 2007, BSI extended substantially more loans to small businesses when compared to available business demographic information.
- There were no CRA-related complaints received during the evaluation period; however, the bank does have a process to handle complaints, if necessary.
- The bank's performance within the Portland-South Portland-Biddeford, ME Metropolitan Statistical Area (MSA) is generally commensurate with the performance in the overall assessment area.

Community Development Test

The bank's community development performance demonstrates an excellent responsiveness to community development needs of the assessment area, through community development loans (CDLs), qualified investments, and community development services. Given the institution's size and resources, BSI is considered a leader in the area with respect to affordable housing initiatives and financial education.

- BSI originated an excellent level of CDLs and is considered a leader in the development and retention of affordable housing. During the evaluation period the bank originated 29 loans totaling almost \$28 million.
- The number and dollar amount of qualified equity investments is considered excellent, given the bank's size and resources, as well as the opportunities in the assessment area. A total of six qualified investments, totaling \$2.7 million were identified during the evaluation, representing 0.57 percent of total assets.
- BSI's level of qualified donations and grants is considered excellent. While the level of qualified donations has been relatively consistent, an analysis of the bank's activity in relation to the institution's pre-tax net operating income revealed that for 2006 and 2007, qualified donations and grants represented 1.71 percent and 1.33 percent, respectively.

- Through the efforts of its employees, senior management, and members of the Board, BSI is extremely active throughout its assessment area in qualified community development organizations. The bank is actively involved in affordable housing initiatives and has been a leader in the area with respect to financial education.
- The bank's performance under the Community Development Test in the Portland-South Portland-Biddeford, ME MSA is generally commensurate with the performance in the overall assessment area.

SCOPE OF EXAMINATION

This CRA Evaluation was conducted utilizing Intermediate Small Institution (ISI) procedures and generally encompassed a timeframe from the prior public evaluation (September 6, 2005) through the current examination date (July 28, 2008). Home mortgage (Home Mortgage Disclosure Act/HMDA) data and small business loan data for 2006 and 2007 was analyzed as a basis for the Lending Test. The bank is not required to collect and report small business loan data; however, management continued to collect small business loan data in order to facilitate its own internal and external CRA evaluations. Both the home mortgage and small business loan data were subjected to integrity tests to ensure accuracy prior to using the information as a basis for the CRA evaluation. Due to the limited number of farm and consumer loans, these loan categories were not reviewed.

The bank is a HMDA reporter by virtue of the six branches located in Cumberland County and the two branches in Sagadahoc County. Both counties are located in the Portland-South Portland-Biddeford, ME MSA. The 2006 home mortgage lending activity was compared to the aggregate, while the 2007 data was primarily reviewed for trends. However, certain 2007 market rank information was obtained and utilized, as applicable. Since the bank does not report its small business loan data, comparisons to the aggregate data were not made; however, comparisons were made with a similarly situated bank, as well as applicable business demographic data. More weight was placed on the bank's home mortgage lending, as it constitutes a significantly larger portion of the loan portfolio when compared to small business lending. Further, although both the number and dollar volume of the bank's loans were reviewed and analyzed, the number of originations was weighed more heavily than the dollar volume because the number of loans is less likely to be influenced by factors such as business size, applicant income level, or by varying housing values within its assessment area.

CDLs, qualified investments, and community development services conducted between the prior and current evaluations were evaluated under the Community Development Test.

Commencing in 2005, CRA evaluation procedures were amended to afford CRA credit to activities that take place in middle-income, non-metropolitan census tracts that are considered distressed or underserved. A total of eight census tracts are characterized as "underserved middle-income non-metropolitan tracts" during the evaluation period. All eight census tracts are located in Lincoln County for the reporting years 2006 and 2007. These designations will primarily impact the bank's community development activities. Community development credit is afforded to, among other things, activities that stabilize or revitalize a low- or moderate-income census tract. Based on these 2005 amendments, CRA credit can also be allocated to activities that stabilize or revitalize a middle-income census tract that falls into one of these classifications.

The Interstate Banking and Branching Efficiency Act (IBBEA) requires the presentation of separate conclusions and supporting data for CRA performance in each MSA in which a bank has a branch presence. The bank has 8 branch offices in the Portland-South Portland-Biddeford, ME MSA and two branch offices outside the MSA. There are 23 MSA cities and towns as part of the bank's assessment area. Subsequent to the presentation of the overall results under each performance test (Lending and Community Development), the bank's performance in the Portland-South Portland-Biddeford, ME MSA is presented separately in order to comply with the requirements of IBBEA. It must be noted that 39 of 50 total census tracts are located within the MSA.

DESCRIPTION OF INSTITUTION

Bath Savings Institution (BSI) is a mutual savings bank, with total assets of \$477 million as of March 31, 2008. The bank serves a delineated assessment area consisting of 50 census tracts through a network of 10 branch offices. In addition to its trust office and the main branch in Bath, Sagadahoc County, full service branches are located in Brunswick, Falmouth, Freeport, Portland, and Yarmouth in Cumberland County; and Boothbay Harbor and Damariscotta in Lincoln County. There are also limited service branches in Falmouth and Topsham, Maine. All branches except Boothbay Harbor and Damariscotta are located within the Portland-South Portland-Biddeford, ME MSA. The Falmouth branch is located in the Ocean View Retirement Center, while the Topsham branch is located in The Highlands, a senior retirement living complex. Both branches are considered limited service branches. The Bath Trust Company was established in 1989 as a wholly-owned subsidiary.

BSI provides a full array of banking products to its market area. The bank's loan portfolio, as of March 31, 2008, as detailed in Table 1, is comprised primarily of residential mortgage loans at slightly above 64 percent of total loans. Commercial loans also represent a significant lending focus at about 26 percent of the portfolio.

Table 1 - Loan Distribution as of March 31, 2008

Loan Type	Dollar Amount (000s)	Percent of Total Loans (%)
Construction and Land Development	17,873	5.13
Residential Real Estate	224,319	64.33
Commercial Real Estate	73,670	21.13
Total Real Estate Loans	315,862	90.59
Commercial and Industrial	18,302	5.25
Consumer	8,926	2.56
Other	5,587	1.60
Total Loans	348,677	100.00

Source: Report of Condition as of 03/31/2008.

BSI received a rating of Outstanding as a result of the previous CRA performance evaluation of September 6, 2005. The bank was evaluated under CRA Large Bank evaluation procedures achieving an “Outstanding” rating under the Lending and Service Tests and a “High Satisfactory” under the Investment Test.

For 2006, there were a total of 277 HMDA reporting financial institutions that originated loans in the bank’s assessment area, with 118 institutions originating 10 or more loans. Bank management indicated that in addition to several state-wide and national banks, Norway Savings Bank of Norway, Maine; Savings Bank of Maine of Gardner, Maine; and Maine Bank and Trust of Portland, Maine are considered some of the bank’s primary competitors. Maine Bank and Trust is similar to BSI in size and has four branches in the bank’s assessment area; however, their primary lending focus is commercial products. Savings Bank of Maine is about twice the size of BSI and also has four branches in the bank’s assessment area, but it also concentrates on commercial lending. Norway Savings Bank is about twice the size of BSI, has five branches in the bank’s assessment area, and has a primary lending focus on residential lending. While larger, lending philosophy dictates that this institution will be utilized as a similarly situated bank for this evaluation.

There are no financial or legal impediments that would limit or impede the bank’s ability to help meet the credit or community development needs of its assessment area. BSI’s ability to meet the community’s credit needs remain positive, predicated on its asset size, product offerings, and branch network.

DESCRIPTION OF ASSESSMENT AREA

CRA requires a financial institution to define an assessment area, or areas within which it will concentrate its CRA efforts. BSI presents a single contiguous assessment area representing all or part of three counties on the southeast coast of Maine. Within its defined assessment area are 50 census tracts, of which, 39 are located within the Portland-South Portland-Biddeford, ME MSA. Thirty-one of the MSA census tracts are located in Cumberland County and include 10 within the City of Portland. There are also 8 MSA census tracts located in the County of Sagadahoc, which includes the City of Bath. The remaining 11 census tracts are located in Lincoln County and are not within an MSA.

As previously mentioned, evaluation procedures have been amended to afford CRA credit to activities that take place in middle-income, non-metropolitan census tracts that are considered distressed or underserved. There are eight census tracts characterized as “underserved middle-income non-metropolitan tracts” located in Lincoln County for the reporting years 2006 and 2007.

Within BSI’s assessment area, there are 2 moderate-, 39 middle-, and 9 upper-income census tracts. Within Lincoln County, there are 8 census tracts designated as “underserved middle-income non-metropolitan tracts” and 3 upper-income tracts. Cumberland County includes 2 moderate-income, 23 middle-income, and 6 upper-income tracts in BSI’s assessment area. Sagadahoc County contains all middle-income census tracts. There are no low-income census tracts in BSI’s assessment area.

While presented as a single assessment area, CRA requires that the above geographic areas be considered as two assessment areas, as the boundaries exceed the MSA boundary. Within this evaluation, separate discussions are presented for the overall assessment area and for the MSA assessment area to satisfy the requirements of the IBBEA. Table 2 highlights some of the key demographic data for the overall assessment area, with further detailed discussion of certain aspects, as necessary, in the narrative that follows the table.

Table 2 – Demographic Information

Demographic Characteristics of CT	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA % of #
Census Tracts	50	N/A	4.00	78.00	18.00	N/A
Population 2006	215,262	N/A	3.80	80.73	15.47	N/A
Families 2006	58,031	N/A	3.59	80.16	16.25	N/A
Owner-Occupied Housing Units 2006	63,108	N/A	2.98	80.20	16.82	N/A
Non-Farm Businesses (2006)	19,230	N/A	4.22	80.11	15.67	N/A
Non-Farm Businesses (2007)	19,477	N/A	4.29	80.26	15.45	N/A
HUD Adjusted MFI (2006) – Portland-South Portland-Biddeford, ME MSA	\$64,800					
HUD Adjusted MFI (2006) – State-wide Non- MSA	\$49,300					
HUD Adjusted MFI (2007) – Portland-South Portland-Biddeford, ME MSA	\$64,500					
HUD Adjusted MFI (2007) – State-wide Non- MSA	\$49,100					

Source: U.S. Census Data (2000); Dunn & Bradstreet Data 2006 and 2007, HUD 2006 and 2007 MFI estimates.

Population

Based on 2000 United States (U.S.) Census data, the total population of the overall assessment area is 215,262 persons. This figure represents approximately 16.88 percent of the State's 2000 population. Nearly 4 percent of the assessment area's population resides in moderate-income census tracts, almost 81 percent reside in middle-income census tracts, and slightly over 15 percent reside in upper-income census tracts. Please refer to Table 2 for further details.

Population estimates from 2006 show a general increase in the population for various assessment area cities and counties. The State of Maine's population was estimated to have risen by 3.7 percent between 2000 and 2006. The Cumberland County population increased 3.4 percent over the same timeframe, while Sagadahoc County rose 4.6 percent, and Lincoln County rose about 4.8 percent.

Population – Portland-South Portland-Biddeford, ME MSA Assessment Area

Based on the 2000 U.S. Census, the total population of the MSA portion of the assessment area is 181,646. This figure represents 14.25 percent of the State population, 37.26 percent of the total MSA, and 84.38 percent of the total assessment area population. The population of the Portland-South Portland-Biddeford, ME MSA increased 4.98 percent between 2000 and 2006.

Family Distribution

According to the 2000 U.S. Census, there are 58,031 families within the bank's assessment area. Table 2 illustrates the breakout of families by census tract income level and shows the breakdown to be very close to the population breakdown. Consideration is also given to the distribution of families by the actual family income level. Of the 58,031 families, 15.61 percent are considered low-income; 18.79 percent are considered moderate-income; 24.31 percent are considered middle-income; and the remaining 41.29 percent are considered upper-income. Of the low-income families, 5.17 percent are considered below the poverty level. Bank performance in lending to low- and moderate-income borrowers is evaluated by comparison to the adjusted Median Family Income (MFI) for both the Portland-South Portland-Biddeford, ME MSA and the State-wide non-MSA MFI. Table 2 displays both the MSA and non-MSA MFI figures for 2006 and 2007.

MFI levels for individuals are determined by utilizing annually adjusted estimates provided by the Department of Housing and Urban Development (HUD). Income levels are determined as follows: low-income individuals are equal to or less than 50 percent of MFI; moderate-income persons are greater than 50 percent, but less than 80 percent of MFI; middle-income individuals are greater than 80 percent, but less than 120 percent of MFI; and upper-income individuals are equal to or greater than 120 percent of MFI.

Family Distribution - Portland-South Portland-Biddeford, Maine MSA Assessment Area

According to the 2000 U.S. Census, there are 48,444 families within the Portland-South Portland-Biddeford, ME MSA assessment area. Just below 16 percent are considered low-income; 19 percent are considered moderate-income; approximately 25 percent are considered middle-income; and the remaining 40 percent are considered upper-income. While these numbers depict a somewhat higher level of low- and moderate-income families, it must be noted that the Portland-South Portland-Biddeford, ME MSA MFI exceeds the non-MSA MFI.

Housing

Housing units within the assessment area total 102,125, of which 63,108 (61.79 percent) are owner-occupied; 23,835 (23.34 percent) are renter-occupied; and 15,182 (14.87 percent) are vacant. This area of the State borders the Atlantic shore, making the relatively high level of vacant units, likely attributable to second homes. Approximately 92 percent of housing units are 1-4 family dwellings, of which approximately 7 percent are mobile homes.

Housing - Portland-South Portland-Biddeford, Maine MSA Assessment Area

Housing units within the MSA portion of the assessment area total 81,276, of which 51,349

(63.18 percent) are owner-occupied; 21,436 (26.37 percent) are renter-occupied; and 8,491 (10.45 percent) are vacant. Approximately 91 percent (73,851) of housing units are 1-4 family dwellings, of which approximately 7 percent (5,064) are mobile homes.

Housing Prices/Rental Costs

According to the 2000 U.S. Census data, the median housing value in the assessment area was \$134,806. The MSA-wide median housing value was \$133,451 which was significantly higher than the State-wide figure of \$94,300. These figures represent data from 2000. Although declining recently, median housing values have increased substantially over the past eight years, presenting a challenge to providing home ownership to low- and moderate-income families and individuals.

The Maine State Housing Authority web-site lists median home prices from 2002 to 2007 for various labor market areas within the State of Maine. By county, Cumberland County (includes 30 tracts outside the assessment area) listed a median home price of \$170,000 for 2002 and \$240,000 for 2007, an increase of 41 percent. Sagadahoc County median home prices were \$129,900 and \$188,000, respectively, reflecting an increase of 45 percent. Lincoln County median home prices were \$143,000 and \$214,000, respectively, reflecting an increase of 59 percent. Steady annual increases were noted between 2002 and 2007 in all three counties.

According to the 2000 U.S. Census, the median gross rent in the assessment area was \$622 per month. The Maine State Housing Authority provides rental cost information similar in format to the median home price data. Assessment area counties and pertinent rental cost data showed similar trends to the movement of median home prices. Cumberland County's median rent rose from \$929 in 2002 to \$1,018 in 2006 and remaining the same in 2007, representing an increase of almost 10 percent. Sagadahoc County rents have increased each year, from \$736 in 2002 to \$884 in 2007 for an increase of 20 percent. Lincoln County rents also increased each year, from \$818 per month in 2002 to \$880 in 2007 for an overall increase of 8 percent. The overall assessment area experienced a substantial increase in the value of homes between the 2000 U.S. Census and currently, as reflected in both median home prices and rental costs. Over the past two years, values have slowed slightly but still increased in most areas of the assessment area.

Housing Prices/Rental Costs - Portland-South Portland-Biddeford MSA Assessment Area

According to the 2000 U.S. Census data, the median housing value in the MSA portion of the assessment area was \$131,222. The figure is lower than the MSA-wide figure of \$133,451, reflecting the omission of York County's higher home values. The Maine State Housing Authority web-site shows median home prices from 2002 to 2007 for various labor market areas within the State of Maine. These prices went from \$165,000 in 2002 to \$235,000 in 2007. The

MSA assessment area had a substantial increase in the value of housing between the 2000 Census and currently.

Rental costs showed a similar trend between 2002 and 2007. Overall, both labor market areas in close proximity to the MSA Assessment Area saw rental cost increases from \$913 in 2002 to \$1,000 in 2007. The increases have been steady over the years with the smallest increase from 2006 to 2007, reflecting the overall economic conditions.

Unemployment

According to the Maine Department of Labor, the State-wide seasonably-adjusted unemployment rate for Maine was 5.3 percent in June 2008, down from 5.4 percent in May. “Although the unemployment rate recorded a slight decline between May and June, the number of jobless workers is up over the year,” said Commissioner Fortman. “Over the past year labor market trends in Maine have mirrored national trends; unemployment has risen as the job market weakened.” The largest gains were recorded in leisure and hospitality services and professional and business services.

The seasonally-adjusted Maine unemployment rate increased from 4.7 percent in June 2007 to 5.3 percent in June 2008. Job losses were registered in construction, financial activities, and manufacturing. Other New England states reporting a seasonally-adjusted unemployment rate for June 2008 include New Hampshire, 4.0 percent; Vermont, 4.7 percent; Massachusetts, 5.2 percent; Connecticut, 5.4 percent; and Rhode Island, 7.5 percent. The adjusted national rate for June was 5.5 percent, unchanged from 5.5 percent for May and up from 4.6 percent from June 2007.

The non-seasonally-adjusted Maine unemployment rate for June was 5.0 percent, down from 5.2 percent for May and up from 4.5 percent for June 2007. The unadjusted national rate was 5.7 percent for June 2008, up from 5.2 percent for May and 4.7 percent for June 2007. From the 2005 unemployment rate of 4.9 percent, the 2006 rate decreased to 4.6 percent and then increased to 4.7 percent for 2007. June’s non-seasonally adjusted unemployment rates for Maine counties ranged from 3.9 percent for Cumberland County to 8.1 percent for Piscataquis and Washington counties.

Non-seasonally adjusted non-farm wage and salary jobs in Maine rose by 11,800 between May and June as the busy summer season approached. The largest gains were recorded by leisure and hospitality services, retail trade, construction, and professional and business services. Partially offsetting these gains, State government, education and private educational services jobs fell as nonprofessional staff and work study students left post-secondary institutions at the end of the school year.

Unemployment - Portland-South Portland-Biddeford MSA Assessment Area

The Maine Department of Labor classifies various areas within the State as Labor Market Areas. The Portland-South Portland-Biddeford, ME MSA area reported an unemployment rate of 4.2 percent in January 2008, which decreased to 4.0 percent by June 2008. Within Cumberland County, which is part of the MSA (with only 39 of the 69 census tracts in BSI's assessment area); the unemployment rate was 3.9 percent in January 2008 and fluctuated monthly until June 2008 when it returned to 3.9 percent. Sagadahoc County, also part of the MSA and the BSI assessment area, started at an unemployment rate of 4.9 percent in January and ended at 4.4 percent in June 2008. This decline in unemployment rates would be primarily influenced by the nature of the summer tourist trade in southern Maine.

Business Data

According to 2006 Dun & Bradstreet business geo-demographic data, there are 19,230 non-farm businesses operating within the bank's assessment area. Total assessment area businesses increased to 19,477 in 2007. When analyzed by size, 57 percent of all reporting businesses for 2007 reported gross annual revenues (GARs) of \$1 million or less. The data was utilized to compare the bank's lending by the size of the business. Please refer to Table 2 for a breakdown of businesses by their location (income classification of census tract). The data was used to compare the bank's geographic distribution of small business lending.

Business Data – Portland-South Portland-Biddeford, Maine MSA Assessment Area

According to 2006 Dun & Bradstreet business geo-demographic data, there are 15,232 non-farm businesses operating within the MSA portion of the assessment area in 2006 and 15,433 in 2007. When analyzed by size, 56.70 percent of 2006, and 57.53 percent of 2007 businesses reported GARs of \$1 million or less. Again, there were 4 to 5 times as many businesses operating in the MSA assessment area in each year compared to non-MSA. Of the 15,232 businesses in the MSA assessment area in 2006, 2.28 percent were in moderate-income geographies. Of the 15,433 for 2007, 5.41 percent were in moderate-income geographies.

Economic Conditions – AA Including the Portland-South Portland-Biddeford MSA

According to Précis STATE, the Maine economy is slipping. Job losses in the goods-producing sector have accelerated with consumer-related industries being hit the hardest due to the effects of rising energy costs on households. The new home construction industry expects further declines and building construction is down measurably from last year. Despite Cabela's opening a new store and the strong Canadian dollar, retailers are shedding payrolls. One area of growth is in new call centers attracted by available staff and low office rents. Top employers include

Hannaford Supermarkets, Wal-Mart Stores, and L. L. Bean, Inc.

According to Precis METRO, the Portland economy is showing significant and broad-based weakness. Most industries are no longer benefiting from the wealth effect gains from house price increases. In the long run, the aging population and mature businesses will cause Portland to under perform the nation. Top employers include Bath Iron Works, L. L. Bean, and Maine Medical Center.

Community Contact

As part of the evaluation process, a third party, active in the community affairs, was contacted to assist in assessing the housing and business needs of the bank's assessment area. Relevant information from this practice assists in determining whether local financial institutions are responsive to the credit needs of the community, and what further opportunities, if any are available. One contact was conducted in conjunction with this examination. The contact was a non-profit corporation that provides affordable housing to the region. Their specific purpose is to own, lease, organize, develop, construct, financially assist, manage and operate on a non-profit basis, projects and programs providing low-income rentals or homeownership opportunities to elderly, handicapped and/or families. Any excess funds are invested into new or existing projects or programs. The contact's financial partners include BSI, the Federal Home Loan Bank-Boston, Harpswell Community Housing Trust, Maine Housing, the USDA, and Northern New England Housing Investment Fund. The contact was very complementary of the help provided by BSI to the assessment area. As noted, BSI was the only local bank referenced by the contact during the interview, thus adding support to the bank's active involvement and leadership role in the assessment area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

LENDING TEST

Loan to Deposit Ratio

BSI's LTD ratio is considered more than reasonable at 98.61 percent with an average LTD ratio of 92.52 percent since the last CRA performance evaluation of September 6, 2005. This figure represents a strong record of using deposits for lending needs, with the ratio increasing steadily since the prior CRA evaluation.

BSI's ratio as of March 31, 2008 was below the similarly situated bank's ratio of 109.45 percent, at the same date. However, despite the apparent discrepancy, BSI's ratio is still considered strong. As noted, the ratio has experienced a positive trend since the previous CRA evaluation, and has been somewhat suppressed by management's decision to sell loans to the secondary market. A total of 144 mortgage loans, with an original aggregate principal balance of \$25.3 million were sold in 2006 and 119 loans for \$19.7 million were sold in 2007. Had BSI retained these loans, or a portion of these loans, the overall ratio would have been higher and more reflective of the bank's overall lending activity.

Assessment Area Concentration

This performance criterion measures the percentage of lending which benefits the assessment area and evaluates the adequacy of such lending. As reflected in Table 3, BSI's originated a majority of its home mortgage and small business loans, both in number and dollar amount, within its assessment area in 2006 and 2007.

Table 3 - Distribution of Loans Inside and Outside of Assessment Area										
Loan Category or Type	Number Loans					Dollar Volume				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$(000)	%	\$(000)	%	\$(000)
2006 Home Mortgage	416	90.83	42	9.17	458	70,843	90.86	7,129	9.14	77,972
2007 Home Mortgage	373	81.62	84	18.38	457	57,777	80.58	13,925	19.42	71,702
Subtotal	789	86.23	126	13.77	915	128,620	85.93	21,054	14.07	149,674
2006 Small Business	118	82.52	25	17.48	143	15,724	80.97	3,695	19.03	19,419
2007 Small Business	142	84.52	26	15.48	168	17,166	76.50	5,273	23.50	22,439
Subtotal	260	83.60	51	16.40	311	32,890	78.58	8,968	21.42	41,858
Total	1,049	85.56	177	14.44	1,226	161,510	84.33	30,022	15.67	191,532

Source: HMDA LAR and CRA LR Bank Data (2006 and 2007).

Home Mortgage Lending

In 2006, BSI originated a substantial majority of its loans inside its assessment area, at 90.83 percent and 90.86 percent, by number and dollar amount, respectively. However, in 2007, both the number of loans and the dollar volume decreased, and resulted in a corresponding decrease in percentages within the assessment area. This decline was indicative of the changing economic conditions within the assessment area, including, the impacts from competition, increases in unemployment, and the general cost of housing. As a result of these issues, bank management was forced to seek lending opportunities outside of the assessment area to maintain its business focus.

By loan purpose, BSI's home refinancing loans experienced the highest assessment area concentration at 92.86 percent in 2006, followed by home purchase loans, at 90.34 percent, and home improvement loans at 89.19 percent. In volume, home purchase lending dollars led with \$44.9 million, while refinance lending trailed at \$19.3 million, and home improvement loans finished at \$6.8 million. While the number of home loans made in the assessment area remained somewhat constant in 2007, the percentage decreased, as did the dollar amount of those loans. By loan type, home improvement loans had the highest percentage originated in the assessment area at 82.86 percent, while home purchase loans followed at 81.52 percent and refinancings finished at 80.45 percent. Dollar volumes declined to \$34 million in home purchase loans, \$15.8 million in home refinancing, and \$8 million in home improvement loans.

Despite the decline in numbers and percentages, the bank has been able to maintain very good market ranks. In 2006 and 2007, the bank achieved market ranks of 3rd and 2nd, respectively. The bank was only outperformed by a large national bank and mortgage company. BSI was the top local lender and significantly outperformed the similarly situated financial institution. Within the assessment area, BSI extended 2.74 times the number of HMDA reportable loans in 2006 than the similarly situated institution and 3.31 times more HMDA reportable loans, by dollar amount. The similarly situated institution was ranked 20th with 1.47 percent market share.

Small Business Lending

Table 3 also shows that over 83 percent of BSI's small business loans were originated in their assessment area. There was an increase in the number, as well as percentage of loans originated in the assessment area from 2006 and 2007. While the number of small business loan increased in 2007, as did the dollar volume, the percentage of small business loans, by dollar volume in the assessment area decreased, caused by several large loans being made outside the assessment area. It should be reminded that BSI's primary lending focus is residential real estate, with commercial purpose lending equating to only 26 percent of the bank's loan portfolio.

Evaluating the adequacy of the bank's small business lending is typically done by comparison to aggregate lending data and similarly situated banks; however, as stated previously, BSI is not required to report its small business loans, precluding direct comparisons to aggregate data. However, given the competitive nature of the assessment area, the increased volume of loans from 2006 to 2007; the increased percentages, by number; and the increased dollar volume is reflective of very sound performance.

Geographic Distribution of Lending

This performance criterion evaluates the bank's performance in lending throughout the assessment area, with a primary focus on lending in low- and moderate-income census tracts. However, as a reminder, the bank's assessment area does not contain low-income geographies, thereby, placing direct emphasis on the area's two moderate-income census tracts and the underserved middle-income census tracts. Further, this factor also assesses whether there are any conspicuous gaps in lending in any specific census tracts, or groups of tracts, within the assessment area.

The bank displayed reasonable dispersion of its loans throughout the assessment area. The bank's lending within the moderate-income tracts was considered comparable with the 2006 aggregate data and small business demographic data. The bank also achieved a very high market rank in 2006 (2nd) within the assessment area's moderate-income tracts. Finally, there were no conspicuous gaps in lending within the assessment area.

Home Mortgage Lending

Overall, the bank's home mortgage loan distribution is considered reasonable. As Table 4 details, the bank was comparable to the aggregate in 2006, extending 2.41 percent of mortgage loans in the two moderate-income census tracts, compared to the aggregate's 2.55 percent. Despite the slight discrepancy in percentages, BSI was able to achieve a market rank of 2nd within the moderate-income tracts. Given the competitive nature of the assessment area, this ranking is considered quite good. BSI was the top local lender and outperformed the similarly situated bank.

By product type, 2.15 percent of home purchase loans were originated within the moderate-income geographies, while BSI originated 3.03 percent of its home improvement loans and 2.31 percent of its home refinance loans within these tract categories. While the bank's home purchase percentage was below the aggregate performance, the bank outperformed the aggregate in the other two loan categories. Given the fact that there are only 2,082 families in these two tracts, with 6.48 percent living below the poverty level, BSI's performance is considered good.

In 2007, 2.04 percent of home purchases, .87 percent of home improvement, and 1.89 percent of home refinances were originated in the moderate-income census tracts. While the above analysis represents a negative trend, BSI was still able to achieve a market rank of 12th within the moderate-income census tracts.

Table 4 - Geographic Distribution of Home Mortgage Lending							
Census Tract Income Level	% of Total Owner-Occupied Housing Units	2006 Aggregate Lending Data		2006 Bank Data		2007 Bank Data	
		#	%	#	%	#	%
Moderate	2.98	263	2.55	10	2.41	6	1.61
Middle	80.20	8,577	83.21	344	82.69	309	82.84
Upper	16.82	1,457	14.13	62	14.90	58	15.55
N/A	0.00	11	.11	0	0.00	0	0.00
Total	100.00	10,308	100.00	416	100.00	373	100.00

Source: U.S. Census (2000), HMDA LAR (2006 and 2007) and Aggregate Data (2006).

An analysis of the bank's overall lending revealed no conspicuous lending gaps. In 2006, 46 of the 50 tracts received at least one loan origination. In 2007, 42 of the 50 tracts received loan originations. Unlike the 2006 performance, one of the 2007 tracts with no loan activity was a moderate-income census tract. The moderate-income tract included the geography of Westbrook-South. While any lack of lending in a moderate-income census tract is a potential concern, this particular gap did not rise to that level, given the limited lending opportunities and level of competition in the area.

Small Business Lending

Overall, the bank's small business loan distribution is considered reasonable. As detailed in Table 5, the bank extended no small business loans in the two moderate-income census tracts in 2006, despite the fact that 4.22 percent of the area businesses reside in those geographies.

The bank's performance improved modestly in 2007, with two small business loans (1.41 percent) made in one of the moderate-income tracts. Analysis by dollar volume revealed no significant differences in the percentages within the various census tract classifications.

Table 5 – Distribution of Small Business Loans by Income Category of the Census Tract

Census Tract Income Level	All Businesses 2006		2006 Bank Lending				All Businesses 2007		2007 Bank Lending			
	#	%	#	%	\$(000)	%	#	%	#	%	\$(000)	%
Moderate	812	4.22	0	0.00	0	0.00	835	4.29	2	1.41	29	.17
Middle	15,405	80.11	97	82.20	13,440	85.47	15,632	80.26	106	74.65	12,973	75.58
Upper	3,013	15.67	21	17.80	2,284	14.53	3,010	15.45	34	23.94	4,164	24.25
Total	19,230	100.00	118	100.00	15,724	100.00	19,477	100.00	142	100.00	17,166	100.00

Source: Based on 2006 and 2007 Dun & Bradstreet; 2006 and 2007 CRA LR Data.

The geographic distribution of small business loans revealed no conspicuous gaps in lending. While numerous tracts had no small business loan activity in 2006 and 2007, 20 and 19, respectively, the lack of loans was more indicative of a general lack of lending opportunity, rather than BSI's failure to originate loans. It should also be reminded that BSI's primary lending focus is residential mortgages.

In September 2005, the bank approved a \$1.5 million loan to a non-profit housing authority in the moderate-income census tract .0028 for the construction of 12 affordable condominiums units, 10 of which are restricted to low- and moderate-income families. Funding began in 2006 and the loan was paid in 2007. This loan was reported as a CDL, but is being mentioned in this section to highlight the bank's willingness and desire to serve the affordable housing need in the area's moderate-income tracts.

Borrower Profile

This performance factor assesses the distribution of home mortgage loans, by borrower income, and small business loans by the businesses' GARs. BSI's performance reflects an excellent penetration of home mortgage loans to low- and moderate-income borrowers and to businesses of different sizes.

Home Mortgage Lending

As depicted in Table 6, BSI's performance in 2006 in lending to low- and moderate-income borrowers is excellent, as it exceeds aggregate lending results. The bank extended 8.17 percent of its 2006 mortgage loans to low-income borrowers and 20.19 percent to moderate-income borrowers, while aggregate lending depicted 5.87 percent and 18.60 percent, respectively. Overall LMI lending in 2007 decreased slightly to 8.04 percent to low-income borrowers and 17.69 percent to moderate-income borrowers. By product type and dollar volume, there was no significant difference in lending to LMI borrowers in either year.

While bank lending to low- and moderate-income borrowers exceeded the aggregate percentages, lending to low-income borrowers fell considerably short of the percentage of low-income families. However, it must be recognized that this income classification includes families living below the poverty level. Given the cost of housing in the assessment area, it is unlikely that many low-income individuals would qualify for a home mortgage loan.

Table 6 - Distribution of Home Mortgage Loans by Borrower Income							
Borrower Income Level	Family Distribution by Income Level	2006 Aggregate Lending Data		2006 Bank Data		2007 Bank Data	
		#	%	#	%	#	%
Low	25.55	605	5.87	34	8.17	30	8.04
Moderate	26.51	1,917	18.60	84	20.19	66	17.69
Middle	25.75	2,887	28.01	98	23.56	81	21.72
Upper	22.19	4,291	41.62	187	44.95	173	46.38
N/A	0.00	608	5.90	13	3.13	23	6.17
Total*	100.00	10,308	100.00	416	100.00	373	100.00

Source: 2000 U.S. Census Data; HMDA LAR (2006 and 2007) Aggregate HMDA Lending Data (2006).

In terms of market share, BSI achieved a market rank of 2nd in both 2006 and 2007, in lending to LMI borrowers. As has been the case in other performance criteria, BSI is the top local lender, outperformed the similarly situated bank, and was only surpassed by a much larger national bank.

Small Business Lending

As Table 7 details, BSI's percentage of small business loans in 2006 and 2007 exceeded the percentage of small businesses in the assessment area, respectively. A comparison with the similarly situated bank, utilizing data from the bank's most recent CRA Public Evaluation, revealed that approximately 54 percent of that bank's small business loans were made to businesses with GARs less than or equal to \$1 million. In comparison, BSI originated approximately 68 percent and 70 percent, respectively in 2006 and 2007.

Table 7 – Distribution of Small Business Loans by Gross Annual Revenue Category (GAR)								
Gross Annual Revenues (000s)	2006 Businesses		2006 Bank Lending		2007 Businesses		2007 Bank Lending	
	#	%	#	%	#	%	#	%
≤ \$1,000	10,796	56.14	80	67.80	11,071	56.84	100	70.42
> \$1,000	945	4.91	38	32.20	955	4.90	42	29.58
Rev. Not Reported	7,489	38.95	0	0.00	7,451	38.26	0	0.00
Total	19,230	100.00	118	100.00	19,477	100.00	142	100.00

Source: 2006 and 2007 CRA LR's and 2006 and 2007 Dun & Bradstreet Data

The bank's small business lending performance was also analyzed by loan size and the results are detailed in Table 8. This analysis is predicated on the concept that smaller businesses and start-ups typically need smaller dollar loans. The greater the percentage of loans in these smaller categories the more positive credit that is afforded from a CRA perspective.

Table 8 – Distribution of Small Business Loans				
Loan Size (000s)	2006 Bank Lending Data		2007 Bank Lending Data	
	#	%	#	%
≤ \$100	73	61.87	97	68.31
> \$100 ≤ \$250	27	22.88	30	21.13
> \$250 ≤ \$1,000	18	15.25	15	10.56
Total	118	100.00	142	100.00

As reflected in Table 8, the majority of BSI's small business lending is in the smallest dollar category, under \$100,000. Additional analysis revealed that a significant majority of the bank's loans are in amounts less than \$250,000, which indicates the bank's willingness to serve the credit needs of smaller businesses and start-ups in the assessment area.

Response to CRA-related Complaints

The final performance criterion under the Lending Test pertains to the bank's record of responding to CRA-related complaints. A review of FDIC records as well as the CRA Public File maintained by the bank pursuant to CRA regulations, disclosed no such complaints. The bank has a process to address any complaint, including CRA-related complaints, submitted to the bank.

COMMUNITY DEVELOPMENT TEST

BSI's performance under the Community Development Test demonstrates excellent responsiveness to the community development needs of its overall assessment area, through a combination of CDLs, qualified investments and grants, and community development services.

Bank management made concerted efforts to determine what the key community development needs and opportunities are in the assessment area. Management identified affordable housing, including down payment assistance programs, and small business financing, as the critical needs of the assessment area. Through its involvement with various community development organizations, the bank has been an active participant in affordable housing initiatives and financial education programs, aimed at LMI borrowers and small businesses throughout the assessment area.

Community Development Loans

For the purpose of this evaluation, a community development loan is defined as a loan that: (1) has community development as its primary purpose, (2) has not already been afforded CRA consideration under small business or home mortgage lending (unless it is a multifamily dwelling loan), and (3) benefits the bank's overall assessment area or a broader statewide or regional area that includes the bank's assessment area.

BSI originated a high level of CDLs during the evaluation period. The bank originated 29 loans, totaling approximately \$28 million in its assessment area. In addition, there are also 2 CDLs, totaling \$1.25 million that have been approved but not yet funded, as well as a line of credit with \$999,782 unfunded. The dollar amount of CDLs originated during the examination period,

compared to the dollar amount of bank loans originated per year equates to 9.86 percent in 2008, 3.45 percent in 2007, 6.08 percent in 2006, and 11.47 percent in 2005. The bank's CDL performance greatly exceeds the performance of the similarly situated financial institution, which originated 18 loans, totaling \$1.5 million, as reported in their most recent CRA Public Evaluation of March 4, 2008. The following information highlights some of BSI's CDL activity during the evaluation period:

2008

- \$300,000 term loan to a housing authority to make energy-related repairs to 6 multi-family projects covering 346 rental units in the South Portland area. The improvements include new boilers, water heaters, lighting, and plumbing. This housing authority evolved into an organization with a mission to provide quality housing to low- and moderate-income, elderly, individuals with disabilities, and families in need.
- \$250,000 revolving construction line of credit approved for the development, construction, and sale of 15 homes in a proposed affordable housing' subdivision. The total development cost is \$3.15 million and BSI will permit up to 2 speculative homes to be built at a time. Prospective homebuyers will be pre-qualified at BSI for the benefit of the housing authority and have a commitment for long-term financing prior to the start of construction. Thirteen homes will be sold to low- or moderate-income families, and the remaining 2 will be sold at market rate. BSI is the lead bank in this endeavor in Brunswick, Maine.
- The bank made approximately \$7.5 million in tax anticipation loans to several local towns located in "underserved" middle-income census tracts. The loans were made to help these municipalities to continue to provide essential community development services, and to provide funds for the completion of various infrastructure projects. Many of these services involve public safety initiatives that will benefit all residents, including low- and moderate-income individuals.

2007

- \$358,000 loan to a non-profit housing organization to partially fund the construction of six units of permanent, fully supportive housing for homeless families in Bath. BSI sponsored this organization for an Affordable Housing Program grant for the same amount by Federal Home Loan Bank of Boston. This is a 501(c)(3) non-profit organization whose mission is to meet the basic needs of homeless people and help them become self-sufficient.

- \$600,000 loan to a non-profit senior housing organization in Yarmouth, Maine that provides rentals for low-income elderly. A low-rate loan was made with a borrowing from the Federal Home Loan Bank of Boston and passed on to the borrower to consolidate debt and provide funds for improvements to a 28-unit project.
- \$170,000 loan to an organization in Bath that provides rentals to low-income tenants. This is a term loan for the partial purchase price and improvements to a 9-unit project in Bath with below market rents.
- \$495,000 loan to a housing group for the construction of a 40-unit rental housing project serving very low and low-income senior households in Brunswick, Maine. The project has 36 1-bedroom units and 4 2-bedroom units. The Brunswick Housing Authority manages the project and provides on-site supportive services to all residents. BSI provided permanent low-rate, long term financing, with the assistance of the Federal Home Loan Bank
- \$1 million line of credit, of which there was a \$30,000 draw and an irrevocable letter of credit for \$248,000 approved under the line. This line is available to a 501(c)(3) housing association for a revolving construction line of credit for the development, construction, and sale of 15 homes in a proposed 15-unit 'affordable housing' subdivision in Harpswell, Maine. The total development cost is \$3.15 million and BSI will permit up to two speculative homes to be built at a time. Otherwise, prospective homebuyers will be pre-qualified at BSI for the benefit of the housing authority and have a commitment for long-term financing prior to the start of construction. Thirteen homes will be sold to LMI families, and the remaining two will be sold at market rate. BSI is the lead bank in this endeavor.
- The bank made four loans in 2007, totaling \$2.1 million, to towns located in "underserved" middle-income census tracts. Proceeds of the loans were used for essential community development services, and to provide funds for the completion of various infrastructure projects. Many of these services involve public safety initiatives that will benefit all residents, including low- and moderate-income individuals.

2006

- \$1.3 million loan for the purchase of a 22-unit low-income apartment complex located in Yarmouth Falls, Maine. The complex is a HUD approved, Section 8 complex for low-income elderly. The subject property is comprised of 3 buildings containing 12 apartments, 6 apartments, and 4 apartments with a community room and laundry facility for tenants. Tenants pay 30 percent of their adjusted income with the balance paid by

HUD.

- \$144,500 loan to purchase a 5-unit apartment project with four of the units being Section 8 for low-income family housing in Augusta, Maine.
- \$130,000 and \$495,000 loans to purchase an 8-unit rental complex, including both low-income and market rate condominiums. Loans were made to a non-profit corporation formed to provide affordable housing in Freeport, Maine. The housing trust purchased an 8-unit rental complex in Durham for conversion to a mix of low-income and market-rate condominiums. The project was financed with two loans from BSI. Borrowers own three low-income apartment complexes in Freeport.
- \$6 million loan to a housing association to provide development financing for a 40-unit rental housing project serving very low and low-income senior households in Brunswick, Maine. The project has 36 1-bedroom units and 4 2-bedroom units. BSI provided permanent low rate long term financing for the development, with the assistance from the Federal Home Loan Bank.
- \$358,000 term loan to partially fund the construction of a 6-unit family shelter in Brunswick, Maine. The loan is to a non-profit organization established to provide shelter to individuals and families, health care program, and transitional housing for the homeless with mental health and substance abuse issues.
- \$170,000 term loan (funded in 2007) to purchase a 9-unit apartment complex in Bath, Maine. The apartments will have below market rents and will meet an affordable housing need for the area's LMI.
- \$187,000 loan to a town located in an "underserved" middle-income census tract. Proceeds of the loan were used for repairs and improvements to the local school.
- \$4,200 to a municipality located in an "underserved" middle-income census tract for the purchase of an ambulance.

2005

- \$200,000 loan for capital improvements to a 26-unit, low-income elderly housing rental complex in Freeport, Maine. The borrower is a non-profit corporation.
- \$1.5 million to purchase a building in Westbrook and convert it into 12 condominiums, with half the units targeted to LMI individuals at below market prices.

- Two tax anticipation loans totaling \$4.4 million to towns located in “underserved” middle-income census tracts. The loans were made to help these municipalities to continue to provide essential community development services, and to provide funds for the completion of various infrastructure projects. Many of these services involve public safety initiatives that will benefit all residents, including low- and moderate-income individuals.

In addition to the CDLs that were highlighted, there were many loans originated by BSI that had community development as a primary purpose but were reported as either a home mortgage loan or small business loan. The following are examples of such loans.

2008

- \$134,800 loan to a community service organization that provides a variety of services to low-income families. The organization is currently raising funds for a community center to house a food pantry, thrift shop, and several community service organizations in Freeport and Pownal, Maine. The purpose of the loan is to purchase real estate in Freeport, Maine for the community center.
- \$20,000 loan to a non-profit organization that serves the needs of handicapped children and adults in Topsham, Maine. The Center serves 60 to 80 diagnosed handicapped children and adults each week and over 300 individuals annually. The clients are referred through state agencies, rehabilitation centers, group homes, and schools. Over 70 percent of handicapped clients served are low- income/Medicare eligible. The loan is for working capital with funds being used to improve the facility.

2007

- \$1,200 SBA guaranteed loan to a low-income disabled person to start a business in Bath, Maine.

2006

- \$25,000 loan for the construction of a community center for a non-profit community service organization that provides a variety of services to low-income families.
- \$800,000 and \$16,817 loans to a private, non-profit, social service agency based in Bath for the construction of an administration building and an automobile, respectively. The mission of the organization is to encourage increased independence and to promote and

support responsible choice making by people with developmental disabilities and/or mental illness in the mid-coast area. Rehabilitation activities, job training programs, group home housing, and transportation services are primarily funded (80–85 percent) by Federal and State revenue sources, including reimbursement from the Maine Department of Human Services. The organization also offers Residential Services, Supported Living Programs, Supported Employment, Transitional Living, Behavioral Health Services, and Case Management. The non-profit offers a variety of employment, training and educational services to meet the needs of people with developmental, psychiatric, cognitive, and physical disabilities. The majority of the individuals served are LMI.

Qualified Investments and Grants

BSI generated an outstanding level of qualified community development investments and grants in its assessment area.

This analysis evaluates the bank's record of meeting the assessment area's credit and economic development needs through its qualified investments. A qualified investment for the purpose of this CRA evaluation is a lawful investment, deposit, membership share, or grant that has community development as its primary purpose. The evaluation considered (1) investment and grant activity; (2) the responsiveness to credit and community development needs; (3) community development initiatives; and (4) the degree to which the qualified investments are not routinely provided by private investors.

Traditional Investments

Traditional equity investments are evaluated differently from grants/donations as these are classified as investments on the bank's books, earn a return for the bank, or provide some type of tax benefit, such as low-income housing tax credits. The outstanding book value of all qualified investments is compared to the bank's total assets as of the most recent calendar quarter and this percentage is compared to similarly situated banks to assess the adequacy of such investments.

The level of investments by BSI is considered excellent, given the needs and opportunities of the area, as well as the total dollar amount invested. The following is a summary of the six qualified community development investments.

- In 2005, the bank had three \$100,000 investments in *Genesis Fund, Inc.* that carried over from prior years. These are one year investments that have been renewed annually and currently mature in 2009. The Genesis Fund is a tax-exempt, non-profit community development financial institution (CDFI) organized in 1997 for the purpose of providing resources to projects that create affordable housing and economic/social opportunities for

underserved people and communities throughout Maine. The fund is chartered in Maine to aid local non-profit institutions such as community development corporations, community land trusts, housing authorities, community action agencies, and social agencies in developing decent housing for needy families and individuals and in promoting their self sufficiency.

- In 2005, the bank had two investments in *Coastal Ventures* that totaled \$117,772 that carried over from prior years. These investments reduce annually and currently have a combined balance of \$103,076 before a loss reserve of \$12,862. There is no maturity date on these investments. In 2006, the last \$25,000 payment of a \$100,000 commitment was made. Funds are utilized to make equity investments in Maine companies, generally small business and start-ups, that exhibit the potential to generate above average equity returns while meeting social goals. Coastal Ventures II, LLC is a fund managed by CEI Ventures, Inc. (CVI) that was created to raise, manage, and invest in socially responsible venture capital funds.

CVI is a wholly owned subsidiary of Coastal Enterprises, Inc., a non-profit community development corporation (CDC) and CDFI headquartered in Wiscasset, Maine with a mission to create economically and environmentally healthy communities in which all people, especially those with low incomes, can reach their full potential. The geographic focus of CEI Ventures, Inc., a for-profit subsidiary, is primarily Maine and Northern New England. Its purpose is to provide financing, counseling, and support in the development of job creating small businesses, community facilities, and affordable housing. CEI Ventures, Inc. (CVI) is locally based in Portland, Maine.

- In 2005, there was a \$302,832 investment in *CRA Pool FNMA* that carried over from 2004. In July 2008, the balance of this fund is \$285,277 and has a maturity date of May 2034. This is a Fannie Mae mortgage-backed securities (MBS) pool targeting loans made to low- and moderate-income borrowers. The geographic distribution of the MBS is defined to meet as closely as possible the CRA assessment area specified by the investor. The underlying mortgages are primarily located in the bank's assessment area.
- In 2006, there was an investment made in *SBIC 2006-PS 10A* for \$972,223 and in *SBIC 2004-10-A* for \$900,138. These investments reduce annually and have a combined current balance of \$1.6 million. SBICs (Small Business Investment Company) are privately owned investment firms regulated by the SBA to promote economic development by financing small businesses (equity capital). These pools have 10 year maturities and are scheduled to be redeemed in 2014 and 2016.

- In 2007 there was an investment for \$500,000 in the *Federal Home Loan Bank N. E. Community Builder Program* which addresses the need for affordable housing and community economic development exacerbated by recent flooding in New England and the Gulf Coast. This investment provides funding sources for Katrina evacuee relief and for the residents and businesses in local communities in Maine affected by the flooding. The bank has placed these funds in a FHLB of Boston My Ideal Way account which entitles BSI to participate in the New England Builder Program. This investment matures August 31, 2011.

The qualified community development investments have a June 30, 2008 book value of \$2.7 million. This figure represents 0.57 percent of total assets. This level of investment must be viewed in conjunction with the performance of the similarly situated bank, as well as the opportunities for such investments in the area. The similarly situated bank's most recent CRA Public Evaluations reported only one investment for \$1 million with no balance at exam date. As a reminder, the similarly situated bank is considerably larger than BSI and has 21 branches in four Maine counties.

Qualified Grants and Donations

Qualified grants, unlike traditional investments, are typically one-time or recurring payouts that are not compared to a balance sheet item, but rather to pre-tax net operating income in order to evaluate the adequacy of such efforts. For the examination period, the bank provided grants and donations totaling \$931,688. It is important to point out that although many of the organizations receiving donations from the bank do not qualify as community development entities (pursuant to CRA definitions); the donations nonetheless provide significant and tangible benefits to the community.

Qualified community development grants and donations were allocated to organizations that provide educational, affordable housing, subsistence (food shelters), economic development, and health and human services to individuals of limited income. Annual levels of grants were 12 at \$15,985 in 2005; 28 at \$74,250 in 2006; 24 at \$51,875 in 2007; and 14 at \$18,100 in 2008 (6 months) for a total of 78 donations totaling \$160,210.

The preceding dollar amounts represent 1.71 percent of 2006 and 1.33 percent of 2007 pre-tax net operating incomes, respectively. BSI's performance compared favorably to that of the similarly situated bank. The similarly situated bank had grants and donations totaling .83 percent and .73 percent of pre-tax net operating income. The following is a sample of organizations that received donations and grants from the bank.

Freeport Community Services – This is a non-profit organization whose mission is to provide a forum for assessing community needs; to facilitate programs designed to address defined needs of the area's low- and moderate-income individuals; to provide information and referrals concerning social services and other human needs; to help people access social services; to provide direct services when appropriate, including the operation of food pantries; and to provide opportunities for community members to support and participate as volunteers in a continuum of activities to benefit the community.

Bath Area Senior Citizens – These grants are part of a multi-year pledge for significant improvements to the Center at Floral Street. The Center provides activities and a gathering place for seniors and assists with access to services such as lifeline and legal assistance. This center is primarily used by individuals with limited incomes, most of whom are considered low- or moderate-income.

Plant Memorial Home – This is low-income rental housing for residents of Bath who have annual incomes below \$12,500.

Elmhurst, Inc. - This is a private, non-profit, social service agency based in Bath with a mission to encourage increased independence and to promote and support responsible choice by people with developmental disabilities and/or mental illness in the mid-coast area. Elmhurst provides residential services, activities programs, supported living arrangements, supported employment, case management, and arts programs. The majority of the program recipients are low- or moderate-income.

Telford Shelter – This is a 501(c)(3) non-profit organization whose mission is to meet the basic needs of homeless people and help them become self-sufficient. The shelter is governed by a volunteer Board of Directors drawn from Brunswick, Bath, and surrounding towns. Volunteers are critical in providing a wide range of services, including life skills training to improve job and house hunting skills, as well as critical decision-making.

Community Development Services

A community development service has community development as its primary purpose and is generally related to the provision of financial services or technical assistance. BSI provides a high level of community development services throughout its assessment area and is looked at as a leader in certain initiatives, including affordable housing and financial education.

Employee and Officer Participation

Bank officers and employees are granted paid time off from their duties at the bank to participate

at local non-profit and community development organizations to provide these organizations technical and financial expertise. In 2007, the Board, members of senior management, and employees volunteered nearly 6,150 hours to various organizations that serve the community. While not all of these hours can be characterized as community development, a large percentage of these hours truly did meet the definition. BSI personnel serve as directors, board members, committee members, and volunteers for many entities as detailed below.

- A trust officer serves on the Board of *Freeport Housing Trust* as Treasurer. The organization provides affordable housing options for low-income families in Freeport.
- A bank officer serves as a Trustee on the Board of *Plant Memorial Home*. The home provides assisted, low-cost rental housing for Bath area senior citizens.
- A trust officer is on the *Merriconeag School Tuition Assistance Fund Committee* in an effort to assist low-income families gain access to educational opportunities that meet their needs.
- A bank officer is a Director and member of the *Oak Street Co-Op*, a 5-unit, low-income housing cooperative in Bath. Another bank officer serves on the advisory board.
- A bank officer is the Treasurer of *United Voice Community Land Trust*, an organization that assists very low-income families attain home ownership.
- A bank officer assisted the *Mid-Coast Council for Business Development* by setting up their financial statements on QuickBooks. This organization assists new businesses with start-up capital.
- A bank officer is Chairman of *CEI's Investment Committee* and works primarily on 30 affordable housing units in Portland. An officer is also on the Board of *CEI Community Ventures*.
- A bank officer sits on the *Yarmouth Senior Housing Board*. The organization provides low-income rental housing for seniors.
- A bank officer serves on the *Brunswick Community Housing Coalition* which was formed to meet the affordable housing needs of individuals, including LMI, first-time homebuyers, and the elderly.
- A bank officer is the Chairman of *Success By Six* which provides safe and affordable child care to LMI families.
- A bank officer assisted the Director of *Habitat for Humanity* in preparing a grant application to the FHLBB to purchase a Habitat run building.
- A bank officer served as a committee member of the *Bath Community Development Block Grant Committee* to approve loans to benefit LMI housing projects and the distribution of community block grants.
- A bank officer worked with the *Greater Brunswick Housing Corporation* to assist in coordinating a FHLBB grant distribution. The group is developing a 15-unit LMI subdivision in Harpswell.

Educational Seminars, Sponsorships, and Miscellaneous Products and Services

As stated previously, BSI is quite active in financial education initiatives throughout the assessment area. The following are examples of the bank's involvement.

Educational Services

- A bank officer taught a class for low-income women involved with the *Women, Work, and Community* organization. This organization is committed to improving the economic lives of women and their families throughout Maine.
- A bank officer met with FHLBB and Coastal Economic Development Corporation to discuss the *Affordable Housing Soft Seconds* program that provides down payment assistance for low-income families.
- A bank officer met with *Senior Spectrum* to discuss the need for basic financial services for LMI seniors. The bank representative volunteered to be a source of assistance for the seniors and provided educational information on the FDIC Money Smart Program.
- Bank officers provided educational information on end financing for potential condominium purchasers of *Forest Street Condos*, a low-income condominium conversion project in a moderate-income neighborhood. This is similar to the bank's first-time home buyer educational program.
- A bank officer provided information on Equity Builder grant funds to officers of *Westbrook Housing Authority*, an organization building condominiums for moderate-income families.
- BSI, through the Morse Voc Ten Business and Banking program, presented the *Money Smart "Bank on It"* curriculum to local high school classes.
- BSI implemented the FDIC's Money Smart program into the BSI Training Center curriculum. Other portions of the Money Smart program will be utilized in the Morse High vocational training courses.

Retail Services

Benefiting the area's moderate-income geographies and LMI individuals are the following retail products:

- *"No Closing Fees Mortgage"* is a BSI loan product where loan applicants, applying for a first mortgage on a first or second home, can obtain a no closing cost loan if they currently have two or more products such as a checking and savings account. The bank will pay or forgo the cost of various requirements of the home loan applications.
- *BSI Savers CD* is for those individuals that cannot afford to invest a lot of money at one time to receive the benefit of higher CD rates. The BSI Savers CD allows additional deposits at almost anytime at current rates. Benefits of the BSI- Savers CD include:
 - Low Minimum Initial deposit.
 - Competitive rates
 - Only 5 months to maturity with automatic renewal feature
 - Additions to the CD permitted at any time and can be from automatic transfers.
 - Monthly interest can be added to your certificate account or transferred to a checking or savings account
- The bank provides a variety of alternative delivery systems. These include:
 - Free online bill pay;
 - Banking by phone;
 - Banking by mail;
 - Online banking;
 - ATM network available 24-hours a day, 7-days a week;
 - Night depositories available for after-hours customers;
 - Direct deposit;
 - Master Card Debit Card for ATM and Point-of-Sale transactions
 - Loan Officers will visit customers at alternative locations
 - Quest Network available for Maine residents who receive food stamps and cash benefits from the Department of Human Services. They have a debit card available free for access to their benefit accounts.
- *Family Development Account (FDA)* is sponsored by Women, Work, and Community. An FDA account allows low-income families to save for home ownership, education and training, or business development. Funds in the account are match by the sponsor and/or others. Women, Work, and Community will match the deposits by a 2:1 ratio. Participating families can save up to \$80 monthly from earnings for a maximum savings

of \$2,000.

- The bank signed an agreement with Coastal Enterprises, Inc. (CEI) to become a depository for *Individual Development Accounts* (IDAs). IDAs are matched savings accounts intended to promote saving and asset building among low- and moderate-income individuals. CEI matches accountholder savings at a 1:1 rate up to \$4,000. This allows participants to save up to \$8,000 to purchase a home, start a business, or attend post-secondary education.
- *E-Checking* account was introduced in 2007. E-Checking is an electronic no check account accessed with the ATM/Debit Card that benefits lower-income families because there is:
 - o No minimum balance required
 - o No monthly service charge
 - o Free Bill-Pay
- Basic Checking is one of the primary checking accounts. This account is available to everyone but is specifically beneficial to those with low-volume check writing habits and lower income families and individuals. There is no minimum balance requirement, a \$25.00 minimum to open the account and a limit of eight checks per month without charge. Use of ATM and EFT services is encouraged. The monthly account charge is only \$2.00.
- In conjunction with BSI's Affordable Housing Program "Lower Cost Mortgages for Lower Income Families", a senior vice president at the bank solicited and obtained financial concessions from over 30 attorneys, closing agents and appraisers to reduce their fees to home buying clients earning 80 percent or less than the median income. The bank agreed to waive the \$300 processing fee and credit \$25 to the cost of a required first-time homebuyer course. Total concessions of \$400 to the homebuyer are approximately 25 percent of the typical closing costs.
- BSI participates in the Interest on Lawyers' Trust Accounts (IOLTA) program which requires lawyers and law firms to establish interest-bearing accounts for client deposits. Interest earned is utilized to help fund improvements in the administration of justice and delivery of legal services to low- income clients. The bank paid \$6,432 in interest during 2005, \$5,240 in 2006, and \$5,641 in 2007.
- BSI participates in the Maine Association of Realtors Affordable Housing Fund (RAHF) program. These are special accounts created under the State Association of Realtors. All interest earned on RAHF escrows is pooled to support grants that provide housing

opportunities for individuals and families that would normally be unable to afford them. The bank paid \$989 in interest during 2005, \$856 in 2006, and \$901 in 2007.

- Of the bank's 10 branches, 2 are located in Lincoln County (Boothbay Harbor and Damariscotta), in an "underserved" middle-income tract. BSI also maintains a stand alone ATM in Cook's Corner, Brunswick that is located in a moderate-income census tract.
- BSI works closely with the FHLBB for the benefit of the low- and moderate-income individuals within their assessment area. The bank is awarded Affordable Housing Grants (AHG) for housing programs to non-profit organizations sponsored by BSI, such as the Coastal Economic Development (CED), Brunswick Housing Authority, Habitat for Humanity, Plant Memorial Home, and Telford Shelter. Since 1997 with the help of the FHLBB semi-annual AHP, BSI has been able to leverage and provide over \$12 million in financial assistance to individual homeowners, housing authorities and agencies, development corporations, and elderly housing projects.

BSI also receives Equity Builder Awards from FHLBB which allows them to pass down payment and loan closing cost assistance grants to income qualified first time homebuyers averaging \$10,000 each for a total of \$200,000 to disburse annually for a total over \$300,000. These grants have been leveraged into over \$700,000 in long term financing. BSI also borrows \$5 to \$10 million annually under the Community Development Advance program for general and specific community development and affordable housing projects at reasonable rates and passes the savings onto affordable housing initiatives.

- The bank also has a very large community room that is available to non-profit groups and organizations for meetings and other purposes that benefit the community.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

A substantive violation of Section 5 of the Federal Trade Commission Act was identified during the concurrent compliance examination of the bank. Although substantive, the violation was limited to a single consumer loan product that was not a major offering of the bank. Therefore, based on the limited scope of the product, a lowering of the bank's overall CRA rating was not deemed warranted.

PORTLAND-SOUTH PORTLAND-BIDDEFORD, ME MSA

SCOPE OF THE EVALUATION

The scope is similar to the overall scope discussed previously. However, the LTD ratio and 'Assessment Area Concentration' are not fully evaluated from an MSA perspective. Please refer to the overall 'Scope of the Evaluation' for additional information.

DESCRIPTION OF THE INSTITUTION'S OPERATIONS - PORTLAND-SOUTH PORTLAND-BIDDEFORD, ME MSA

BSI maintains eight branches in the MSA portion of the assessment area. There are six branches in Cumberland County and two in Sagadahoc County. The branches are located in the Towns of Brunswick, Falmouth (2), Freeport, Portland, and Yarmouth in Cumberland County, Maine and Bath and Topsham in Sagadahoc County, Maine. Two of the branches are considered limited service. In addition to each branch location, there are also two BSI stand alone 24-hour ATMs in the MSA. Please refer to the overall 'Description of the Institution' for additional information.

DESCRIPTION OF THE PORTLAND-SOUTH PORTLAND-BIDDEFORD, ME MSA

Please refer to the overall 'Description of the Assessment Area' for additional information.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN THE PORTLAND- SOUTH PORTLAND-BIDDEFORD, ME MSA

LENDING TEST

BSI's lending performance in the MSA portion of the assessment area is considered generally consistent with the institution's overall performance.

Loan to Deposit Ratio

The LTD ratio is calculated on a bank-wide basis. Please refer to the overall LTD discussion for additional information.

Assessment Area Concentration

Bank performance under this factor is, again primarily calculated and analyzed on a bank-wide basis. For this separate MSA analysis, the percentage of loans extended in the MSA is compared to loans made in the non-MSA portion of the overall assessment area, as presented in Table 9.

Table 9 Distribution of Loans in the Portland-South Portland-Biddeford MSA and non-MSA assessment area										
Loan Category or Type	Number Loans					Dollar Volume Loans				
	Portland-South Portland- Biddeford MSA		Non-MSA		Total	Portland-South Portland- Biddeford MSA		Non-MSA		Total \$(000)
	#	%	#	%		\$(000)	%	\$(000)	%	
2006 Home Mortgage	323	77.64	93	22.36	416	57,389	81.08	13,454	19.01	70,843
2007 Home Mortgage	313	83.91	60	16.09	373	47,806	82.74	9,971	17.26	57,777
Subtotal	636	80.61	153	19.39	789	105,195	81.79	23,425	18.21	128,620
2006 Small Business	101	85.59	17	14.41	118	13,025	75.88	2,699	9.90	15,724
2007 Small Business	131	92.25	11	7.75	142	13,880	80.86	3,286	19.14	17,166
Subtotal	232	89.23	28	10.77	260	26,905	81.80	5,985	18.20	32,890
TOTAL	868	82.75	181	17.25	1,049	132,100	81.79	29,410	18.21	161,510

Source: HMDA LAR and CRA Bank data (2006 and 2007). Does not include loans outside the overall assessment area.

As reflected in Table 9, the percentage of loans, by number and dollar volume, in the MSA increased from 2006 to 2007. BSI's performance within the MSA portion of the assessment area is commensurate with the institution's overall performance. Given the competitive lending environment in which the bank operates, certain economic and demographic constraints, and the positive trend in percentages, BSI performed well.

Geographic Distribution of Lending

Home Mortgage Lending

As detailed in Table 10, the bank demonstrated a reasonable geographic dispersion of its home mortgage loans within the MSA portion of the assessment area, with solid penetration in the moderate-income census tracts. As noted, BSI outperformed the aggregate, by percentage in 2006.

Table 10 - Distribution of Home Mortgage Loans in MSA by Income Category of the Census Tract

Census Tract Income Level	% of Total Owner-Occupied Housing Units	2006 Aggregate Lending Data		2006 Bank Data		2007 Bank Data	
		#	%	#	%	#	%
Moderate	3.67	263	2.90	10	3.10	6	1.92
Middle	78.70	7,545	83.10	265	82.04	261	83.38
Upper	17.63	1,260	13.88	48	14.86	46	14.70
N/A	0.00	11	.12	0	0.00	0	0.00
Total	100.00	9,079	100.00	323	100.00	313	100.00

Source: U.S. Census (2000), HMDA LAR (2006 and 2007) and Aggregate Data (2006).

Small Business Lending

As depicted in Table 11, no small business loans were originated in the two moderate-income census tracts in 2006; however, the bank did improve its performance slightly in 2007. While the lack of loans and/or minimal number of loans could be cause for concern, it should be noted that less than 6 percent of the MSA businesses are located in these tracts. Given this limitation, coupled with the competitive lending environment in which the bank operates, the bank's performance is considered adequate.

Table 11 – Distribution of Small Business Loans in MSA by Income Category of the Census Tract

Census Tract Income Level	Businesses in MSA 2006		2006 Bank Lending				Businesses in MSA 2007		2007 Bank Lending			
	#	%	#	%	\$ (000)	%	#	%	#	%	\$(000)	%
Moderate	812	5.33	0	0.00	0	0	835	5.41	2	1.53	29	.21
Middle	11,937	78.37	82	81.19	10,780	82.76	12,125	78.57	95	72.52	9,688	69.80
Upper	2,483	16.30	19	18.81	2,245	17.24	2,473	16.02	34	25.95	4,163	29.99
Total*	15,232	100.00	101	100.00	13,025	100.00	15,433	100.00	131	100.00	13,880	100.00

Source: Based on 2006 and 2007 Dun & Bradstreet; 2006 and 2007 bank data.

Borrower Profile

Home Mortgage Lending

Table 12 depicts an excellent penetration of home mortgage loans to low-income borrowers and a very good penetration to moderate-income, as the bank's percentages exceeded and were commensurate with the aggregate, respectively. While the percentage of loans to low-income borrowers is significantly less than the percentage of low-income families, it must be remembered that approximately 5 percent of families are living below the poverty level, and the cost of housing in the area is also a potential obstacle for potential home buyers, especially LMI borrowers.

Overall, the bank's performance within the MSA portion of the assessment area is comparable with the institution's overall performance.

Table 12 - Distribution of Home Mortgage Loans in MSA by Borrower Income

Borrower Income Level	Family Distribution by Income Level	2006 Aggregate Lending Data		2006 Bank Data		2007 Bank Data	
		#	%	#	%	#	%
Low	15.98	559	6.16	32	9.91	26	8.31
Moderate	19.16	1,731	19.07	61	18.89	59	18.85
Middle	24.49	2,607	28.71	82	25.39	66	21.09
Upper	40.37	3,640	40.09	136	42.11	140	44.73
N/A	0.00	542	5.97	12	3.70	22	7.02
Total*	100.00	9,079	100.00	323	100.00	313	100.00

Source: 2000 U.S. Census Data; HMDA LAR (2006 and 2007) Aggregate HMDA Lending Data (2006).

Small Business Lending

Table 13 shows an excellent penetration of small business loans within the MSA portion of the assessment area. As noted in the table, BSI's percentages of small business loans in 2006 and 2007 exceeded the percentage of small businesses in the area. Overall, BSI's performance is commensurate with the bank's overall performance.

Table 13 – Distribution of Small Business Loans by Gross Annual Revenue Category (GAR)

Gross Annual Revenues (000s)	2006 Businesses		2006 Bank Lending		2007 Businesses		2007 Bank Lending	
	#	%	#	%	#	%	#	%
≤ \$1,000	8,637	56.70	64	63.37	8,878	57.53	93	70.99
> \$1,000	806	5.29	37	36.63	821	5.32	38	29.01
Revenues N/A	5,789	38.01	0	0.00	5,734	35.85	0	0.00
Total	15,232	100.00	101	100.00	15,433	100.00	131	100.00

Source: 2006 and 2007 CRA LR's and 2006 and 2007 Dun & Bradstreet Data

Response to CRA-related Complaints

As previously noted, no complaints were received during the evaluation period. Please refer to the overall 'Response to CRA-related Complaints' for additional information.

COMMUNITY DEVELOPMENT TEST

BSI displayed an excellent responsiveness to the community development needs of the MSA portion of the assessment area. BSI's performance in the Portland-South Portland-Biddeford, ME MSA is consistent with the institution's performance overall. Most the bank's community development activities were generally proportionate between the MSA portion of the assessment area and the non-MSA portion.

Community Development Loans

Of the total 29 CDLs originated by the bank, 13 loans primarily benefited the MSA. Please refer to the overall Community Development Test for further information.

Community Development Investments

Traditional Investments

Within the overall assessment area, the bank had six investments with a balance of \$2.7 million. A review of those investments does not lend itself to dividing them between the MSA portion of the assessment area and non-MSA portion, as the underlying investments benefited the entire assessment area, or even a larger area that expands past the assessment area. Please refer to the overall 'Traditional Investments' for additional information.

Grants and Donations

BSI provided 78 qualified community development grants and donations, totaling \$160,210 within the overall assessment area during the evaluation period. Of that amount, approximately 58 percent (45 grants) were targeted to the MSA, while 42 percent benefited the entire assessment area. In dollars, 62 percent (\$100,175) benefited, primarily, the MSA, while 38 percent benefited the entire assessment area. Please refer to the overall discussion on 'Grants and Donations' for additional information.

Community Development Services

BSI's community development services are generally focused on the bank's entire assessment area; however, many of the bank's officers are involved in activities and services that are tailored to the MSA portion of the assessment area. As noted in the overall discussion, BSI is actively involved in affordable housing initiatives and financial education. Please refer to the overall discussion of 'Community Development Services' for additional information on the bank's activities.

APPENDIX A

SCOPE OF EXAMINATION:

Bath Savings Institution			
SCOPE OF EXAMINATION: Intermediate Small Bank review including Lending Test and Community Development Test.			
TIME PERIOD REVIEWED: September 2005 to July 2008			
PRODUCTS REVIEWED: HMDA reportable mortgage loans and small business loans for 2006 and 2007. Qualified CDLs, investments and grants, and services for the entire review period.			

LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION			
ASSESSMENT AREA:	TYPE OF EXAMINATION:	BRANCHES VISITED:	OTHER INFORMATION:
One contiguous assessment area	Intermediate Small Bank	Main Office	50 census tracts and 10 branches (2 LS)
12620, Portland-South Portland-Biddeford, Maine MSA	Intermediate Small Bank	None	8 of 10 branches and 31 of 50 census tracts are in the MSA

APPENDIX B - GENERAL DEFINITIONS

GEOGRAPHY TERMS

Block: Small areas bounded on all sides by visible features such as streets, roads, streams or rail road tracks, and invisible features like city or town boundaries or property lines. Blocks are subdivisions of census tracts or block numbering areas (BNA), and are assigned a unique three-digit number.

Block Group: Clusters of blocks within a census tract or BNA, having a four-digit number and a three-digit suffix. The four-digit number corresponds to the same number given to the census tract or BNA in which it is located.

Census Tract: Small subdivisions of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. They usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Metropolitan Area (MA): One or more large population centers and adjacent communities that have a high degree of economic and social integration. Each MA must contain either a place with a minimum population of 50,000 of Census Bureau-defined urbanized area and a total MA population of at least 100,000 (75,000 in New England). An MA comprises one or more central counties and may include one or more outlying counties that have close economic and social relationships with the central county. In New England, MAs are composed of cities and towns rather than whole counties.

Metropolitan Statistical Area (MSA): One or more metropolitan areas that have economic and social ties.

Primary Metropolitan Statistical Area (PMSA): A large urbanized county or cluster of counties that demonstrate very strong internal economic and social links, in addition to close ties to other portions of the larger area. If an area qualifies as an MA and has more than one million persons, PMSAs may be defined within it.

Consolidated Metropolitan Statistical Area (CMSA): The larger area of which PMSAs are component parts.

Non-Metropolitan Area: All areas outside of metropolitan areas. The definition of non-metropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies; for example, there is generally both urban and rural territory within both metropolitan and non-metropolitan areas.

Urban Area: All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, “urban” consists of territory, persons, and housing units in: places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin) but excluding the rural portions of “extended cities”; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.

Rural Area: Territories, populations and housing units that are not classified as urban.

HOUSING TERMS

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family which is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Housing Unit: Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

INCOME TERMS

Median Income: The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

Area Median Income: The median family income for the MSA, if a person or geography is located in an MSA; or the statewide non-metropolitan median family income, if a person or geography is located outside an MSA.

Family Income: Includes the income of all members of a family that are age 15 and older.

Household Income: Includes the income of the householder and all other persons that are age 15 and older in the household, whether related to the householder or not. Because many households consist of only one person, median household income is usually less than median family income.

Low-Income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a geography.

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of a geography.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of a geography.

Upper-Income: Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent in the case of a geography.

HUD Adjusted Income Data: The U.S. Department of Housing and Urban Development (HUD) issues annual estimates which update median family income from the metropolitan and non-metropolitan areas. HUD starts with the most recent U.S. Census data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

OTHER TERMS

Home Mortgage Disclosure Loan Application Register (HMDA LAR): The HMDA LARs record all applications received for residential purchase, refinance, home improvement and temporary-to-permanent construction loans.

Small Business Loan: A loan included in “loans to small businesses” as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by non-farm nonresidential properties or are classified

as commercial and industrial loans.

Small Farm Loan: A loan included in “loans to small farms” as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

APPENDIX C - INVESTMENT DEFINITIONS

Community Development Corporation (CDC): A CDC allows banks and holding companies to make equity type of investments in community development projects. The equity investments are subject to limits specified by the bank's regulator. Bank CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community as well as to the financial and marketing needs of the bank. A CDC may purchase, own, rehabilitate, construct, manage and sell real property. Also, it may make equity or debt investments in development projects and in local businesses. The CDC activities are expected to directly benefit low- and moderate-income groups, and the investment dollars should not represent an undue risk on the banking organization. Any real estate ownership should generally be temporary, with ownership reverting to members or organizations in the community.

Community Development Financial Institutions (CDFIs): CDFIs are private intermediaries (either for profit or nonprofit) with community development as their primary mission. They procure loans and investments that conventional financial institutions are unable to invest in, and they link financing to other developmental activities. A CDFI facilitates the flow of lending and investment capital into distressed communities and to individuals who have been unable to take advantage of the services offered by traditional financial institutions. CDFIs share a common mission and can be chartered as a credit union or bank. CDFIs can also be unregulated nonprofit institutions that gather private capital from a range of social investors for community development lending or investing. Some basic types of CDFIs include community development banks, community development loan funds, community development credit unions, micro-enterprise funds, and community development venture capital funds. A certified CDFI must meet eligibility requirements, which include: having a primary mission of promoting community development; serving an investment area or target population; providing development services; maintaining accountability to residents of its investment area or targeted population through representation on its governing board of directors, or by other means; and not constituting an agency or instrumentality of the United States, of any state or political subdivision of a state.

Low Income Housing Tax Credits: The Low-Income Housing Tax Credit Program is a housing program contained within the Internal Revenue Code of 1986, as amended, which is administered by the U.S. Department of the Treasury and the Internal Revenue Service. The U.S. Treasury Department, through the Internal Revenue Service, distributes low-income housing tax credits to housing credit agencies. The housing agencies allocate tax credits on a competitive basis. Developers who acquire, rehabilitate, or construct low-income rental housing may keep their tax credits or sell them to corporations or investor groups, who, as owners of these properties, will be able to reduce their own federal tax payments. The credit can be claimed annually for ten consecutive years. For a project to be eligible, the developer must set aside a specific percentage of units for occupancy by low-income residents. The set-aside requirement remains in place

throughout the compliance period, usually 30 years.